

Why Can't I Use PayPal? Collecting and Disbursing Funds in the 21st Century

Office of the State Treasurer
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What does the State Treasurer Do?

- Manages cash flow of all major state accounts with deposits, withdrawals and transfers totaling nearly \$400 billion last year.
- Invests the state's operating cash in short-term, interest bearing accounts that preserve our ability to access the funds.
- Issues and manages all of the state's debt.
- The State Treasurer provides guidance as a member of a number of boards and commissions including the State Investment Board.

The Role of Cash Management at OST

- Manages cash flow of all major state accounts.
- Takes the money collected by all state agencies and pools it into one bank account.
- Administers master agreements with Financial Institutions for banking services.
- If you have a question about any process or vendor that includes banking or the movement of money, contact OST cash management.

Cash Management Contracts Administered by OST

Master Depository Agreements

- Available to any agency authorized by OFM to have a local bank account outside the treasury.
- Agreements with 43 banks statewide.
- Banks are all FDIC and Public Deposit Protection Commission(PDPC) Qualified.
- Fees are kept static for each two year contract period.
- Work with OST.

Cash Management Contracts Administered by OST

Lockbox

- Master Agreement with US Bank through 2011
- Available to any agency accepting large numbers of paper checks
- Contract will be up for bid in 2010
- Work with OST

Cash Management Contracts Administered by OST

Merchant Bankcard Services

- Merchant Services Contract with Bank of America for VISA/MasterCard and PIN Debit
- Separate Agreements with American Express and Discover
- Work with OST

Cash Management Contracts Administered by the OST

State Concentration Account

- Main bank account for Treasury/Treasury Trust.
- Agreement with Bank of America with extensions available through 2014.
- Includes all banking services needed by the state, for both the disbursement and collection of state money.
- Includes provisions for collecting and disbursing funds electronically.
- Recently added provisions for future banking services:
 - Depositing checks electronically
 - Cash pay cards
- Work with OST.

So Why Can't I Use PayPal or Other Payment Services?

- PayPal and other online payment services collect and disburse funds via bankcards and the ACH network.
- Violates Public Deposit Protection Commission (PDPC) Law. RCW 39.58.080 specifically states that public treasurers may only deposit public funds in Washington State public depositories.
- The use of PayPal or other online payment services may not be compatible with state master contracts for these types of banking services.
- Work with OST.

Future Banking Services: Converting Checks to Images

- Check 21 Law allows financial institutions to create digital images and electronically send those images to a vendor (a private company, a financial institution, or the Federal Reserve) across the country, without the need for agreements.
- The vendor may use those digital images to print substitute checks and present them to the paying banks. This substitute check is the legal equivalent of the original item.
- Eventually this will allow for true image exchange between financial institutions.

**Future Banking Services:
Converting Checks to Images**

Remote Deposit Service (RDS)

- Simple, inexpensive Setup
- Proprietary Software and Hardware
- Requires Internet Connectivity
- Work with OST

Image Cash Letter (ICL)

- Requires programming/IT resources
- Uses agency software and hardware
- Allows for greater automation of the deposit process
- Work with OST

**Future Banking Services:
CashPay® Card From Bank of America**

- Marketed as a Visa Payroll Card Solution, but can be used to disburse any recurring payment, not just payroll.
- Useful for agencies with clients who are “unbanked”.
- Can be used as ATM cards, or anywhere VISA is accepted.
- Managed properly, no fee to your clients.
- May require an Economic Feasibility Study for OFM.
- Work with OST.

**Statutory Authority:
Office of the State Treasurer**

- Authority to represent the state in all contractual relationships with financial institutions.
RCW 43.08.015
- The Treasurer shall coordinate agencies’ acceptance and use of credit cards and other payment methods,
RCW 43.88.160
- OFM SAAM Manual, Chapters 40 and 65

**Statutory Authority:
Office of Financial Management**

- Approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible.
RCW 43.41.180
- Agencies must receive specific continuing authorization from OFM.
RCW 43.41.180
- OFM SAAM Manual, Chapters 40 and 65.

OST Cash Management Outreach Program

- OST staff are available to meet with your agency staff on any issue dealing with the disbursement or collection of funds
- Our "Payment Options" presentation is a high level overview of the options available for electronic payment collection.

Questions?

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